

## Example #11- Withholding on Refinance Title Transfers

In this scenario, Sam and Mike own a rental house together and both have a 50% interest. They paid \$100,000 for the house several years ago. The house is now worth \$350,000. A few years ago, they refinanced and now owe \$180,000. Interest rates are still down, but Sam wants to get out of his financial arrangement with Mike. Mike is refinancing for a new loan of \$300,000 in his name only and will pay Sam \$75,000 out of the proceeds. The total sales price for Sam is the total of **the relief of liability**, plus the **proceeds that he is to receive**. Since the total sales price is over \$100,000, withholding is required.

### Calculating Ron's Total Sales Price

<b>Relief of Liability</b>	
Amount owed on the property	180,000
<u>x Ownership percentage of entity being transferred off the title</u>	<u>x .50</u>
<b>Relief of Liability</b>	<b>\$90,000</b>
<b>Proceeds Received</b>	
The amount the entity being transferred off of title will receive.	<b>\$75,000</b>
<b>Total Sales Price</b>	
Relief of Liability	<b>90,000</b>
<u>+ Proceeds Received</u>	<u>+ 75,000</u>
<b>Total Sales Price</b>	<b><u>\$165,000</u></b>

## 2005 Real Estate Withholding Tax Statement

**593-B**

Attach to Form 593		<b>Copy A</b> FOR FRANCHISE TAX BOARD	
<b>Withholding Agent (Payer/Sender)</b> Check one: <input checked="" type="checkbox"/> Escrow/Title Company <input type="checkbox"/> Accommodator/Intermediary <input type="checkbox"/> Buyer			
Name, Mailing Address, City, State, and ZIP Code <i>All Right Escrow</i> 1234 Best Way Sacramento, CA 95827		Private Mailbox No. _____ <input checked="" type="checkbox"/> FEIN <input type="checkbox"/> California Corporation Number 99-0100000 Social Security Number (SSN) _____	
<b>Seller or Transferor (Complete one 593-B for each seller)</b> Name, Mailing Address, City, State, and ZIP Code Sam Seller 1006 Los Vaigus Blvd. Alhambra, CA 95555		Social Security Number (SSN) 000-03-0000 Spouse's SSN (if jointly owned) _____	
<b>Escrow or Exchange Information</b>			
1 Escrow or Exchange Number 54321 PP	2 Date of Transfer, Exchange Completion, Exchange Failure, or Installment Payment 02-08-05	3 Total Sales Price \$ 165,000	4 Ownership Percentage 100.00 %
5 Address (or parcel number and county) of the California real property transferred 456 Mellrowse Ave Anywhere, CA 99999		6 Amount Subject to Withholding \$ 165,000 Check One: <input checked="" type="checkbox"/> Total Sales Price x Ownership % <input type="checkbox"/> Installment Payment <input type="checkbox"/> Boot <input type="checkbox"/> Failed Exchange (Total Sales Price x Ownership %)	7 Amount Withheld From This Seller \$ 5,494.50 (.0333 x Amount Subject to Withholding)
Telephone Number ( 916 ) 555-7355			

Enter the total sales price as calculated above.

Relief of liability  
+ Proceeds Received  
**Total Sales Price**

Enter 100% as the ownership percentage since only Sam's portion is being sold.

Enter the product of the total sales price (Box 3) x Ownership Percentage (Box 4).

Be sure to check the **Total Sales Price** checkbox.